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UNCLAS SECTION 01 OF 02 SKOPJE 000109

SIPDIS

SENSITIVE

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STATE FOR EUR/SCE

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TAGS: PREL PGOV OVIP MK

SUBJECT: MACEDONIA: CODEL TANNER SCENESETTER

OVERVIEW: MULTI-ETHNIC DEMOCRACY, NATO CONTENDER

**¶11.** (SBU) Welcome to Macedonia, a strong NATO membership contender and a multi-ethnic democracy, the only one in the region. From 2001, when the country teetered on the brink of an inter-ethnic civil war, to today, when it is at peace, implementing reforms, and pursuing an ambitious free-market economic growth and prosperity program, Macedonia has made tremendous strides. NATO Membership Action Plan assessments and separate USG assessments confirm that Macedonia has made steady progress on meeting NATO standards. The country looks to the United States for leadership and support, and has demonstrated that it is a supportive ally and reliable international partner.

KEY MESSAGES

**¶12.** (SBU) Your visit to Skopje comes as PM Gruevski's multi-ethnic governing coalition heads down the home stretch to the NATO Summit at Bucharest, where it hopes to receive a membership invitation. We are urging Skopje to continue pursuing the following actions to make it the strongest possible contender for a NATO invitation, the Macedonian government's top foreign policy goal:

--Continuing constructive and flexible engagement with UN Special Negotiator Nimetz toward a solution to the name issue, which will benefit Macedonia, Greece, and the region;

--Continuing respect for the 1995 Interim Agreement between Greece and Macedonia on the name issue;

--Continuing anti-corruption efforts, as demonstrated through non-partisan arrests and prosecutions; and

--Continuing work with the opposition on implementation of the Framework Agreement (FWA) and the May 29 agreement.

NATO MEMBERSHIP: A COMPETITIVE CANDIDATE

**¶13.** (SBU) Macedonia is a competitive candidate for membership given its strong performance on defense reforms, its increased contributions to NATO operations in Afghanistan and its years of contributing special forces troops to coalition

efforts in Iraq. It has made solid progress on economic growth (just over 5 percent GDP growth in 2007), has intensified efforts to combat trafficking in persons, and passed a religious freedom law in 2007 that is arguably the most liberal in the region and guarantees all religious communities and groups the right to register and worship freely. Public support for NATO membership is consistently high (90 percent), with strong parliamentary consensus in support of that goal. The government has accelerated anti-corruption efforts, and Macedonia jumped 21 points on the Transparency International corruption perceptions index last year.

NAME ISSUE: WORKING TOWARD A COMPROMISE

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**¶4.** (SBU) A bilateral name dispute with neighboring Greece -- though not a NATO membership criterion -- remains the single largest obstacle to Macedonia's NATO membership prospects. Greece has threatened to veto Macedonia's NATO membership invitation unless Skopje agrees to a compromise on the name on Greece's terms (changing its constitutional name). Greece's position is at odds with its undertaking, per the 1995 Interim Agreement, not to prevent Skopje's entry into international institutions so long as Skopje agreed to do so under the provisional "former Yugoslav Republic of Macedonia." Skopje's counter-offer is a "dual name" proposal, under which it would keep its constitutional name for bilateral and international use, while offering a mutually-acceptable name for use with Athens. We have encouraged both sides to show greater flexibility in working with UN Special Negotiator Nimetz to find a compromise solution; the Macedonian government has indicated it will give serious consideration to any proposal from Nimetz.

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FWA IMPLEMENTATION AND MAY 29 AGREEMENT: STEADY PROGRESS

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**¶5.** (U) The government has stated its commitment to full implementation of the 2001 Framework Agreement (FWA) that ended the inter-ethnic conflict in Macedonia that same year. In fact, all FWA-required legislative requirements have been met since 2006 and inter-ethnic relations are good. Implementation of decentralization (the devolution of power from the central government to local governments) was launched in 2005, and equitable representation of ethnic minorities in public administration has progressed steadily. The challenge for this government is to build on what was achieved by its predecessor and to fully implement decentralization and equitable representation in a non-partisan manner.

**¶6.** (SBU) PM Gruevski's VMRO party and the ethnic Albanian opposition DUI party (the largest ethnic Albanian party in Macedonia) reached an agreement on May 29, 2007, that returned DUI to parliament following a boycott and committed PM Gruevski to more specific FWA implementation. Three of the five key requirements of that agreement have been implemented. The remaining two requirements -- a package of social benefits for victims of the 2001 conflict and a draft law on the use of languages -- are being addressed in working groups. We are urging the government to set a start date for implementing the social benefits package, and are working with both sides to reach agreement on a draft language law.

KOSOVO: CONSTRUCTIVE PARTNER

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**¶7.** (SBU) Macedonia's position on Kosovo final status is closely aligned with ours -- support for UN Special Envoy Ahtisaari's plan for Kosovo status, which adequately resolves the question of demarcation of the Macedonia-Kosovo border. (NOTE: The border was delineated, but not demarcated, in a 2001 agreement between Belgrade and Skopje, which Pristina

rejected due to the fact that a sliver of Kosovo's territory was ceded to Macedonia in that agreement.) Relations overall are excellent, and Skopje has worked closely with Pristina to offset a potential Serb blockade after Kosovo declares independence. The GOM has indicated it does not want to rush a decision on recognition of an independent Kosovo, as it tries to balance relations with Belgrade and Pristina. At the same time, it is determined not to be among the last countries to do so, given the importance of gaining Pristina's confidence prior to beginning the process of border demarcation.

#### ECONOMIC REFORM AND GROWTH PROGRESS

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**¶8.** (U) Macedonia is showing positive economic performance, with the country recently ranked by the World Bank as one of the top 10 "most improved" countries in carrying out business environment reforms. PM Gruevski has raised public sector wages and cut VAT rates on some key consumer items, which has helped keep his poll numbers strong. Starting in 2008, personal and corporate tax rates fell from 12 percent to 10 percent (flat tax), one of the lowest tax rates in Europe. The government hopes to succeed in attracting additional foreign direct investment to support its efforts to tackle unemployment, officially at over 37 percent.

MILOVANOVIC